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### International Entrepreneurs' Performance-Orientation and their Social Capital for Internationalization

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# **International Entrepreneurs' Performance-Orientation and their Social Capital for Internationalization**

## **Abstract**

The relationships that comprise the social capital of firms and of their managements have increasingly been recognized to be an important factor that influences the internationalization of smaller firms. We still know little, however, as to whether some types of firms and managers might develop social capital differently to others, and whether differences affect the process of internationalization. Here we consider how individual values towards performance and towards relationships affect the social capital that international entrepreneurs form and use in their firm's internationalization. We develop a framework for analyzing an internationalizing firm's social capital that helps us usefully to analyze its value in terms of its relational, cognitive and structural dimensions, and its embeddedness in international markets. We find that performance oriented international entrepreneurs develop and use structural and cognitive social capital than more people-oriented international entrepreneurs, who are more likely to rely on relational social capital. We call for research that acknowledges the role of human attitudes and orientations in the internationalization process, especially where these involve relationships between people.

# **International Entrepreneurs' Performance-Orientation and their Social Capital for Internationalization**

## **INTRODUCTION**

Social capital (SC) in firms denotes the intangible asset built by individuals through their relationships with others that helps individuals and groups to work together (Burt, 1997). Here we will examine SC from an international entrepreneur's perspective, one that is best reflected in Nahapiet and Ghoshal's (1998) definition of SC as:

'the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by individual or social units' (Nahapiet & Ghoshal, 1998, p243);

The relationships that comprise the social capital of firms and of their managements have increasingly been recognized to be important factor that influences the internationalization of smaller firms (Johanson & Mattsson, 1988; Coviello and McAuley, 1999; Ellis, 2011, Chetty & Agndal, 2007, Agnal, Chetty and Wilson, 2008, Kontinen and Ojala, 2011, Yli Renko, Autio and Tontti, 2002).

We still know little, however, as to whether some types of firms and managers might develop social capital differently to others, and whether differences affect the process of internationalization. Different people have been found to hold different attitudes concerning how much they value performance in people and organizations, and how much they value the quality of their relationships with people. Taking the view that international entrepreneurs' social capital will be influenced by the values and orientations that they hold, we explore whether and how individual international entrepreneur's attitudes towards performance might influence the development of their social capital. To do this we employ Nahapiet and Ghoshal's (1988) discrimination of relational social capital, based on emotional closeness and affective commitment, cognitive social capital, based on shared understandings and systems of meaning, and structural social capital, based on business and social ties.

We study seven case CEOs and their firms from within one tightly defined high technology industry. The CEOs were purposively sampled to be both performance oriented and people oriented. The social capital involved in the internationalization process was recorded in a research framework that described relationships in terms of their international network value, represented by their embeddedness in international territories, and the dimensions of social capital, according to Nahapiet and Ghoshal's framework.

We contribute a framework for analyzing an internationalizing firm's social capital that helps us to analyze its value in terms of its dimensions and its embeddedness in international markets. We find that performance oriented international entrepreneurs develop and use structural and cognitive social capital than more people-oriented international entrepreneurs, who are more likely to rely on relational social capital. This leads us to conclude that international business research needs to acknowledge that because attitudes towards relationships differ between individuals and between territories, we should beware of generalizing across all internationalizing firms: individual attitudes towards people are highly influential.

### **SOCIAL CAPITAL IN INTERNATIONALIZATION**

Social capital is clearly a social thing (Anderson, Park and Jack, 2007, p264), but research into it, adopting lenses from different scholarly traditions, has examined it from individual and societal perspectives (Adler and Kwon, 2002; Kostova and Roth, 2003). Our research question concerns the behavior of entrepreneurs as individuals, so here we follow Anderson and Jack (2002), who suggest that it should be regarded as 'networking capital', and be regarded as an individual resource. We will also see it to be subject to the agency of entrepreneurs, both in how it is acquired and in how it is used (Kim and Aldrich, 2005).

This notion of social capital has recently been employed in both entrepreneurship and international entrepreneurship research, to somewhat different conclusions. Entrepreneurship research broadly sees benefit in social capital built on strong relationships with specific valuable parties, especially for the foundation and development of ventures (Kim & Aldrich, 2005, Jack, 2005). Some international entrepreneurship research affirms the value of strong relationships in international entrepreneurs' social capital (e.g. Ellis, 2000; Harris and Wheeler, 2006), but most highlight the greater importance of weak ties, especially in the internationalization process (McDougall and Oviatt, 2005, Sharma and Blomstermo, 2003, Sigfusson and Chetty, 2012; Komulainen Mainela & Tahtinen, 2006). As Sigfusson and Harris (2012) summarize,

It is evident that most domestic focused entrepreneurship studies emphasize the role of strong relationships at early stages, while studies of international new ventures emphasize a greater role for weak relationships.

Jones, Coviello and Tang (2011) suggest, however, that network research in international entrepreneurship is becoming more sophisticated and that we should abandon the notion of just 'strong' or 'weak' in relationships that has characterised social capital research.

Relationships do different things, combined and singly. Ozcan and Eisenhardt (2009) propose that rather than regarding relationships 'as simply strong or weak' (p.246), and support Kim and Aldrich in arguing that we should regard relationships in 'portfolios' that develop and evolve according to the different resource and strategic needs of the firms concerned, and can be managed in a strategic way.

In this study, we will escape a weak-strong dichotomy, and will seek a more nuanced interpretation of the qualities of social capital that international entrepreneurs might seek to help their internationalization. One of the most commonly applied frameworks for understanding social capital within managerial settings has been that of Nahapiet and Ghoshal (1998), who provide a framework that discriminates three dimensions of social capital: relational, cognitive, and structural. Using this framework, we can discriminate between relationships according to whether they are a form of relationally based social capital, cognitively based social capital or structurally based social capital. These will now be considered in turn.

### **The relational dimensions of social capital that international entrepreneurs seek**

Granovetter (1973) suggests that the strength of a relationship reflects a 'combination of the amount of time, the emotional intensity, the intimacy and the reciprocal services that characterise the tie' (p.1361). Relational social capital has high levels and frequency of social or personal interaction, that generate trust (Granovetter, 1982). Defined by Fukuyama (1995) as 'expectations of regular, honest and co-operative behaviour based on commonly shared norms and values', trust 'alleviates the fear of opportunistic behaviour and enhances the stability of the relationship' (Steensma, Marino & Weaver, 2000, p.593). The norms and sanctions, obligations and expectations derived from this trust (Nahapiet & Ghoshal, 1998) give confidence as to the partner's reliability and integrity, so that the partner will not opportunistically take advantage of the situation (Morgan and Hunt, 1994). Commitment is another related, even interdependent component (Morgan & Hunt, 1994; Hadjikhani & Sharma, 1999; Hite, 2003): parties that invest commitment at the beginning of a relationship improve trust, reduce uncertainty and the risk of opportunism (Larson, 1992; Ring & Van de Ven, 1994; Wuyts & Geyskens, 2005).

Entrepreneurs rely heavily at early stages of development on direct personal social capital to provide critical resources (Jenssen & Koenig, 2002), these typically being family and friends or previous contacts (Larson & Starr, 1993; Hite & Hesterly, 2001). SMEs have also

been found to rely on such trusted personal relationships ties in their foreign market entry (Ellis, 2000; Söderqvist & Chetty, 2009). However, personal friendships are not only crucial for the initial growth of entrepreneurial firms, they can be important for initial internationalization as well (Harris & Wheeler, 2005; Sasi & Arenius, 2008). Long-standing social capital with foreign customers helps new market entry (Freeman et al., 2006; Freeman & Cavusgil, 2007), because shared past experiences and repeated interactions generate the trust needed for people to share their advice and tacit 'know-how' knowledge (Uzzi, 1997; Mainela, 2007). While affective commitment within such social capital, generated by high levels of personal and social interaction, motivates them to help and protect international entrepreneurs, it brings a reciprocal range of obligations that can be costly and difficult for entrepreneurs to fulfil (Granovetter, 1982; Hite & Hesterly, 2001; Madhok, 2006).

### **The cognitive dimension of social capital that international entrepreneurs seek**

Without such personal affection and interaction, relationships can be based more on knowledge between the parties, assured by common understanding, shared information, or shared values, and this type of social capital can be especially useful for giving international entrepreneurs how-to knowledge, advice, counsel and assistance (Dwyer, Schurr, & Oh, 1987; Gundlach, Achrol, & Mentzer, 1995; Geyskens, Steenkamp, Scheer, & Kumar, 1996). Cognitive social capital is made up of relationship resources that have similar vision, values, goals, understandings and systems of meaning and as the international entrepreneur (Nahapiet and Ghoshal, 1998; Tsai and Ghoshal, 1998). Implicit in this type of social capital is a level of knowledge of the other party, which itself requires some time in which relationships knowledge will have developed, which itself develops sufficient trust to allow cooperation (Harris, Dibben and Wheeler, 2003).

This requires them to share, to some extent at least, language and ways of understanding, so that they can know one another and commit to one another and cooperate with each other through the exchange of resources (Nahapiet and Ghoshal, 1998). The interactive process of sharing itself develops further cognitive, and ultimately relational capital ((Lewicki and Bunker, 1988), in a pattern noted in internationalization process research (Johanson & Vahlne, 2009) in which these relationships lead over time to knowledge exchange and the development of new knowledge for internationalization within the entrepreneurial firm.

### **The structural dimensions of SC that international entrepreneurs seek**

The structural dimension of social capital is determined by an international entrepreneur's network of relations as a whole, and the social positioning of the entrepreneur within it (Nahapiet & Ghoshal, 1988). This includes all the connections between the international entrepreneurs and others, disregarding the extent of personal knowledge or trust involved. Structural social capital can therefore be based only on instrumental or calculative commitment, assured by pledges, investments and allocation of resources, or of dependency within an industrial or hierarchical structure (Dwyer, Schurr, & Oh, 1987; Gundlach, Achrol, & Mentzer, 1995; Geyskens, Steenkamp, Scheer, & Kumar, 1996).

The location of these contacts in a particular social structure provides advantages to the international entrepreneur (Coleman, 1988). Accessing useful information and introductions to others relies on the social network positioning of the international entrepreneur (Granovetter, 1985; Burt, 1992). It is in this structural dimension of social capital that international entrepreneurs may find useful linkages and connections internationally. These may include the go-betweeners, or "friends of friends" (Camara, 2006). Internationalization here, considering the possibility of active network-building by the international entrepreneur, can be seen as a position-building process in an international network. Early internationalization is helped by having this kind of social capital which is well able for supplying market knowledge of and access to new territories (Kontinen & Ojala, 2011; Komulainen et al. 2006; Sasi & Arenius, 2008; Sharma & Blomstermo, 2003).

### **The international embeddedness of SC that international entrepreneurs need**

In recent years internationalization process research has emphasised the fundamental importance of networks for internationalization, (e.g. Johanson & Vahlne, 2003; 2009; Ford, Gadde, Håkansson, & Snehota, 2003). A notion of embeddedness has originated from network research (Granovetter, 1985), but here we take an entrepreneur's rather than a network perspective of the embeddedness of the parties that they might include in their relationship portfolio. This embeddedness has been characterized with four elements: structural, political, cognitive and cultural (Zukin & DiMaggio, 1990). The parties' structural embeddedness reflects their interconnections in the territory which underpins how much they can provide knowledge, opportunities and linkages that have been highlighted to be so important. Their political embeddedness informs how power and influence can be used, where the party's social capital enables trust, awareness and visibility to be built in new territories (Hadjikhani, Lee, & Ghauri, 2008). Their cognitive embeddedness yields

understanding of the ways of thinking within the territory, and their cultural embeddedness conveys its shared beliefs and values (Zukin & DiMaggio, 1990; Hite, 2003).

It is the embeddedness within territories of those parties that gives them the ability to help the international entrepreneur with knowledge, opportunity recognition, know-how, market access or assistance in those territories, and which determines its value to the entrepreneur. This is a function of how many relationship linkages the party has (or could have in future) in foreign territories (Granovetter, 1985, 1992; Yli-Renko et al., 2002) and not on the party's physical location. Supportive social capital that is appropriately embedded in appropriate social, power or market circles in international territories also enable trust, awareness and visibility to be built within those territories (Powell, Kogut, & Smith-Doerr, 1996; Hadjikhani, et al., 2008). Its value will also depend on the particular territories, networks, and social or professional circles involved; some will be more valuable than others, depending on the specific products or services, customers and markets (Yli-Renko et al., 2002).

While social capital with people who are well embedded in foreign or international market places, with their own networks of international social capital will be of greatest value for internationalizing international entrepreneurs, these may be scarce. Many people that are useful to an international entrepreneur for internationalization, however, may have some valuable contacts internationally, even if they are not deeply embedded in another territory. These are often located in the international entrepreneur's home territory (Harris & Wheeler, 2005), and they can fulfill the recognized role of being 'introducers' (Johanson & Mattsson, 1988) or 'go-betweeners' (Uzzi, 1997) to others internationally. Such internationally linked 'introducers' might represent simply structural social capital, (Granovetter, 1973), but will be more effective if they can give at least some commitment to the international entrepreneur, by, for example, affording some reputational capital to the international entrepreneur alongside the introduction (Hadjikhani et al., 2008), so are more likely to represent at least cognitive, and possibly relational social capital.

### **A research framework for this study**

We can now combine Nahapiet and Ghoshal's discrimination of three dimensions of social capital, with a notion of international embeddedness of the relationships that the social capital comprises. A major role of network social capital is to bring the knowledge of markets and actors within new territories that are essential for the internationalization process, especially in the early stages (Chetty & Campbell-Hunt, 2004; Coviello & Munro, 1995; Madsen &



Servais, 1997; Welch & Welch, 1996). Providing information may need only structural social capital (Freeman & Cavusgil, 2007, Freeman, Hutchings, Lazaris, & Zyngier, 2010; Nordman & Melen, 2008; Granovetter, 1973), but to share knowledge sufficiently to be able to help the international entrepreneur to generate opportunity possibilities requires cognitive or even relational social capital (Welch & Luostarinen, 1993; Mainela, 2007), involving mutual trust (Freeman et al., 2010) from “relationship partners gradually learning about one another’s needs, resources, strategies and business contexts” (Johanson & Vahlne, 2003, p.93).

If the parties involved are going to give the international entrepreneurs deeper, more tacit know-how knowledge such as how to find and assess partners or access supply or distribution chains in the new territories, the international entrepreneurs need to interact with them and be trusted by them even more (Johanson & Vahlne 1977, 2003; Turnbull 1979; Chetty & Campbell-Hunt, 2004; Freeman et al., 2006). Further, to fulfil these tasks the parties involved also need to have good connections in the territories, by being socially embedded there and by having deep and extensive experience there (Yli-Renko et al., 2002).

Social capital is also essential in international entrepreneur’s internationalization through actual assistance, such as linking to new customer or supply chain partners in the territory (Coleman, 1990; Welch & Luostarinen 1993; Coviello & Munro, 1997; Freeman et al., 2006). This assistance can comprise a foreign market presence and reputation (Ghuri, Tarnovskaya, & Elg, 2008; Komulainen et al, 2006, Sharma & Blomstermo, 2003), persuading and negotiating with local operators (Turnbull 1979), communicating with them and influencing them (Coleman, 1990; Hallen, 1992), or providing marketing capabilities (Chetty & Campbell-Hunt 2004; Freeman et al., 2006). Linking into other parties’ operations in this way requires a great deal of trust, and a motivation to commit to the other party that only comes with at least cognitive, and possibly some relational social capital (Granovetter, 1982; Freeman et al., 2006; Freeman & Cavusgil, 2007).

We now represent an international entrepreneur’s relationships that can make up his or her social capital. To do this we will combine the different dimensions of social capital that Nahapiet and Ghoshal defined, with notions of the qualities of international embeddedness that international entrepreneurs need to help their international expansion. This is represented in Figure 1, below.

**Figure 1 here.**

This research framework represents a model on which we can map international entrepreneur's relationships, to be able to see how they are similar or differ between individual entrepreneurs, and so that we can distinguish the different qualities of different patterns of social capital. The purpose here is to ask how different orientations towards business performance on the part of international entrepreneurs might influence the social capital that they use, that research has shown to be very important in their firms' internationalization.

### **Performance-orientation and the social capital for internationalization**

This discussion has focused exclusively on the utility of social capital for the task of business performance. But international entrepreneur's social capital is human, driven by human values as well as by resource value. Roth et al., (2011) make a powerful case that the values that people hold in life will have an impact on the network of relationships that are developed and used. How relationships are developed may well be influenced by values and orientations towards relationships and people held by those who are developing them, (Chhokar et al., 2007; Hofstede 2001, House et al., 2004, Schwartz 1994, 1999; Trompenaars & Hampden-Turner, 1997).

We now turn to orientations and values towards the importance of business performance and towards the importance of human relationships that are likely to influence how international entrepreneurs choose to develop and use their social capital, and who with. We are specifically interested in values or orientations towards performance (as a contrast to values and orientations towards relationships with people), and the relationships developed and used by international entrepreneurs.

As originators and owners of their firms, all international entrepreneurs are likely to have a motivation towards performance of their firms, no-matter how they define that performance. But they could well differ in the extent to which they mix those motivations and preoccupations with what we could denote as a 'person orientation' towards those who comprise their social capital, whether these are colleagues, employees, business collaborators or neighbours. Such a person orientation can include common human desires for harmony with these other people, or for concern for addressing their welfare needs and aspirations (Trompenaars & Hampden-Turner, 1997). The most performance focused international entrepreneurs might be more content to develop and work with social capital that they calculate will offer value, with relatively lower levels of interpersonal trust based on

knowledge or affection. More person-oriented international entrepreneurs might be more concerned to base their relationships on affection for the other parties (their relational capital) and knowledge of them in their cognitive capital, with less regard for what they could offer, for example, by virtue of the extent of their international embeddedness offered by their structural position.

We do not know, however, whether these orientations will have an effect on relationships for internationalization. Here we wish to explore whether and how individual international entrepreneur's own orientations towards people might influence the development of firm's relationships for internationalization, and specifically, their strength and their international embeddedness.

## **METHODOLOGY**

Our methods involve a case study approach advocated by Ghauri and Gronhaug (2005). Case study methods using interview and archival data can uncover contextual conditions well, so are particularly appropriate for exploring the personal networks of international entrepreneurs (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2003).

The research design sought credibility through triangulation through multiple cases, multiple sources of information, and repeated interviews over time for each case (Ghauri & Firth, 2009; Sinkovics, Penz & Ghauri, 2008). We sought to explore features of international entrepreneurs' social capital to a point of data saturation, sufficiently to enable such theoretical generalisation that propositions for further research could be made (Silverman, 2006). Figure 2 shows the six detailed stages of the research.

**Figure 2 here.**

### **Stage I: Case selection**

The study required that we study international entrepreneurs that were both performance-oriented, and that were oriented towards people and relationships. The determination of individual orientation towards performance or people had to be undertaken within an interview setting, discussed below.

International entrepreneurial firms were identified from secondary sources, from which international entrepreneurs and their firms were purposively sampled from within one tightly defined high technology industry to ensure that the international entrepreneurs and their firms were closely matched: in similar industrial settings, with similar markets, organizationally

and institutionally similar, with the individuals concerned having similar backgrounds. As part or majority owners of their firms, with no dominating outside shareholders, the international entrepreneurs were the prime architects of their relationships. They were all electronics engineers, and their businesses were growing, profitable medium-sized firms in a sub-segment within Standard Industrial Code 33.20/1, which developed and combined electronic hardware and software technologies to address the needs of industrial customers world-wide. In this segment of the electronics industry, customers, manufacturing issues, and standards are determined on a global scale (Harris, 2000).

### **Stage II: Secondary data collection and verification**

With the help of industry association data, web searching, and through networking processes, a body of secondary data was collected on fifteen international entrepreneurs that fitted the inclusion criteria. As private firms, much of the data needed to verify inclusion and matching was not publicly available, so the firms were contacted to verify the sample inclusion data. The study also involved repeated interviews over 4 years. Seven international entrepreneurs remained that were eligible within the criteria frame, that were closely matched, who agreed to participate, and whose firms grew and remained within the sample frame over the subsequent four years. These numbers are normally sufficient for data saturation in qualitative case analysis Eisenhardt (1989). A data file was established on each firm from secondary sources, including external official documents (e.g. annual reports), internet sites and media documents, industry association directories and internal reports and archives (e.g. firm histories) that enabled source-source data triangulation and augmented the case-case triangulation achieved from the multiple interviews (Sharpe, 2004). Table 3 shows descriptive data on these cases.

**Table 3 here.**

### **Stage III: Interviews**

Our informants were the entrepreneurial owners of the firms and the first interviews ranged from 100 minutes to 180 minutes in length. The interview schedule was designed to explore and unravel the issues and the thinking of the interviewees themselves in as non-directive a way as possible (Harris, 2000; Yin, 2003), by using non-directive questions that enabled the international entrepreneurs to express their own underlying considerations and beliefs (Buckley & Chapman, 1997; Strauss & Corbin, 1991). Inevitably, however, some structuring of the interview process was necessary to direct discussion to relevant topics and

to achieve equivalent data (Ericsson & Simon, 1985), and for data equivalence, the same questions were all asked, and in the same order.

After a preamble, the international entrepreneurs gave valuable context data in a personal account of their firms' development. To categorize the extent of each international entrepreneur's performance-orientation and person-orientation, a leading question 'How successful, in your own terms, do you personally believe that your business has been?' elicited deep consideration. A follow-up question 'What is the basis for that assessment?' provoked an extensive discussion that revealed the sought-after information on the international entrepreneur's preoccupations and goals for themselves and for their businesses. This discourse could readily be coded into scales of how much they were concerned for the performance of their businesses, and how much they were concerned for the welfare of those people within or around the firm.

The international entrepreneurs were then asked 'What do you think about when you consider the future of your business?' For each issue raised, the international entrepreneurs were asked 'Who do you discuss [this issue] with, or consult with?' This yielded a list of people who represented the international entrepreneur's important social capital. To assess the value that the international entrepreneurs found in each of the relationships involved in dealing with their issues, and to elicit the role of those relationships in that process, each international entrepreneur was asked, for each issue: 'What do you seek when you discuss [the issue raised] with these people?' This yielded considered assessments about each party, and sufficient data to be able to code whether the relationship represented relational social capital, based on deep trust and affective commitment, cognitive social capital based on knowledge of the other party, or structural social capital based on a calculative, business link.

Subsequently, questions were posed for each relationship the international entrepreneur highlighted to gain fine grained data on each relationships' background, nature, function and outcomes to triangulate and confirm the data for analysis. To ensure that no important relationships were missed, the international entrepreneurs were separately asked 'Are there, or have there been other people important to you in the development of your business?' This led to a list of relationships and discursive data that would describe the embeddedness, and dimensions of the relationships that comprised each international entrepreneur's social capital.

#### **Stage IV: Primary data coding**

Three researchers coded the data from the interview transcripts, notes and secondary data and cross-coding validity checks were undertaken. The social capital relationships were categorized between relational, cognitive and structural, on the basis of the value and qualities that the international entrepreneurs placed on the relationships. Frequent indications of trust and affection over a period of time indicated relational social capital, and respect for knowledge and skills and confidence in opinions without this depth of relationship indicated cognitive social capital.

Categorization of domestically embedded relationships was straightforward, but the distinction between internationally linked and internationally embedded was more difficult and largely hinged on the primary location of the party. For example, one party who had recently retired from a business where he had developed a large network of customers in the United States was denoted as internationally embedded on the grounds that his main business contacts were then in the US, even though the party was now based in the United Kingdom. If based overseas, they would be internationally embedded.

Coding the international entrepreneur's performance-orientation was more complex. Self-declarations of motivations are highly unreliable, and only psychopaths are not person-oriented to some degree. The discriminator was the extent that the international entrepreneur's concerns for their businesses (for example, to achieve performance in, profit and growth terms, or in personal benefits for themselves) matched or exceeded their expressed concern for the welfare of and for having contented working relationships with the people around them. A coding grid (shown in Figure 3) was used to form this judgement. International entrepreneurs were judgementally categorised into one of the segments, according to both their focus on business performance, and of their orientation to people win and around the business.

**Figure 3 here.**

The international entrepreneurs falling within the shaded segments would have displayed business performance focus that exceeded their concern for people, and we now regard these as being more performance-orientated. Since all international entrepreneurs had at least some concern for their businesses, none fell into segments A, D or G, and all the performance-oriented international entrepreneurs were in segments B, C and F. These international entrepreneurs expressed concern to achieve business goals that exceeded their expressed concern for people in and around the firm. In practice, cross-coder correlation was high and

the rare cases of disagreement were discussed and reconciled between the coders.

### **Stage V: Follow up telephone interviews**

Since perspectives on relationships can change over time, 25 to 50 minute follow-up telephone interviews, two and four years after the initial interviews achieved inter-temporal checks to verify the stability of the data. The interviewer reminded the international entrepreneurs of the relationships mentioned earlier, and asked again about their roles and their value. The international entrepreneurs were then asked about any other relationships not mentioned previously. In practice, some new relationships were mentioned, and some relationship roles had changed. Some international entrepreneurs had previously forgotten to mention important relationships. The roles of the relationships in practice over the years, and some details about the relationships were checked where there were ambiguities within the transcripts, and summaries were fed back to the international entrepreneurs as a further check against misinterpretation.

### **Stage VI: Data reviewing and analysis**

Data analysis first involved interpretation of the case data to criteria developed from the theoretical ideas noted above. Data reviewing at this stage now also reflected emergent observations concerning the differences between the different groups of international entrepreneurs, so that the patterns observed could be confirmed and validated through source-source and in case-case triangulation. Overall, of the seven international entrepreneurs, five were evaluated to be performance-oriented. The international entrepreneurs described 48 relationships, an average of seven each; Table 4 presents an overview of the numbers of the relationships that each described, and their profiles in terms of their social capital (Relational, Cognitive and Structural) and their international embeddedness (domestic, internationally linked, or internationally embedded).

**Table 2 here.**

## **FINDINGS**

### **The Performance-oriented international entrepreneurs**

The international entrepreneurs used relational social capital when pursuing thoughts and ideas about their relationships, albeit rarely. The purpose of these discussions, however, was

typically not for finding ideas, opportunities, or market information. One international entrepreneur reflected the different purposes well:

But I discuss these things a lot with [former chairman], with [financial advisor] and [restructurer] though the latter ones spasmodically. These give me different points of view. (IE UK50)

The board meetings are the main place... ... We have board meetings monthly when we discuss these things. Other things I will discuss informally with [partner owner]. (IE UK53)

The purpose of these discussions is to gain perspective, to cross-check the soundness of thinking, to think through possible risks of omission. This social capital was nearly all domestic: it contained no international business market knowledge, and rarely had direct international business experience. Rather, it was valued as a source of overall business experience, wisdom, and lifetimes of having made business mistakes and having survived them. Just one of the internationally embedded relationships here represented relational social capital. This was a highly prized relationship with a network partner (Ian) in the United States that had been key to IE52's phenomenal growth worldwide, and with whom the international entrepreneur subsequently established a different new international business.

At the same time, the international entrepreneurs greatly value trusted advice and reflective feedback from their cognitive social capital those with useful insights into internationalization and regarded this as an essential element of their internationalization. Being internationally embedded helped, so internationally embedded cognitive or relational social capital was highly valued for this purpose, but this could be scarce; relational relationships were mainly domestic and had less international embeddedness.

Overall, the performance-oriented international entrepreneurs reflected a fully material and utilitarian valuation on those with whom they wished to network. When it came to considering new international market opportunities, the extent of the connections of those relationships mattered most, and the trust and commitment in them mattered relatively little. One international entrepreneur reflected this well:

The people at Scottish Enterprise are quite useful,... the Star Centre, where there are people in the United states who are getting things are useful ... there are also other people in Scotland with businesses in the United States, they are quite useful to talk to.. Also the US agent who has sold our product, he is good, he is a lateral thinker. The Business partner.. no, he is a bit limited... (IE UK41)

Here, international entrepreneur UK41's strongest relational social capital relationship was with his business partner, but he felt no inclination to include that person in his discussions about growth. He adopted a focused business attitude to developing his social capital one that reflected his goal of "getting cash out of the business to buy a second home".



Many of these international entrepreneurs saw the main source of their opportunities to be their structural social capital.

On the new growth areas I also talk to the two sales teams, to get ideas about where we can get sales. (IE UK52)

We get our ideas here from the customers, and from discussing things with them, and I spend time talking to the sales teams as well, we are all engineering people. ... Market development issues are discussed with the sales people... It all depends... (IE UK53)

The usual pattern here, however, is for performance-oriented international entrepreneurs to seek international opportunities from internationally connected or internationally embedded cognitive or structural social capital. (Here, it should be noted, that IE52 initially met 'Ian', 6 years earlier, through a cold-call; they met and 'got on well'.)

We see here different social capital being of different value to the international entrepreneurs, and it differs according to the utilities extracted from it. Sometimes, there can be fiduciary or contractual obligations.

On the investment plans we discuss these with the two executive directors and also with the non-executive director... on the new growth markets, no, this is discussed at the annual sales review, and with the customers, and with [business partner] of course...(IE UK 52)

### **The Person-oriented international entrepreneurs**

The two more person-orientated international entrepreneurs in the UK had a similar number of relationships as did the more performance-orientated international entrepreneurs, but they were very different relationships. First, and most clearly, they did not use structural social capital in the growth process at all – most of the social capital they used was relational, and some was cognitive. This whole orientation seemed to influence the way that they developed business from their network of relationships. One person-oriented international entrepreneur noted:

Our business has been largely developed by getting to know people in universities and veterinary colleges and talking with them and working with them over a number of years. We also have regular seminar-type events and meetings with veterinarians and these might be organised perhaps with the college of practice and might involve, say, other suppliers or speakers or whatever. These are not usually big events, in the UK they will be an evening thing or perhaps a day at most. In the US the distances are greater and so they will be a day and a half or two days. The thing is, they help us to get to know people in the industry, and this includes the opinion formers. It is difficult to see who these people will be at the start. It might be a professor, but it might equally be a local guy who is respected. (IE UK36)

These international entrepreneurs seemed to work with people rather than through them; and this seems to influence how they perceive, and ultimately use relationships. This has profound consequences on the overall profile of the international entrepreneur's relationships: they involved more relational social capital no structural social capital, and, possibly because

of this, little internationally embedded social capital at all. This does not seem to impair their internationalization; IE36 quoted above has achieved stellar international growth. But it has meant that the process of network relationship development and use is different; social capital is developed first, and then possible ways of use are explored. The value is gained from the relationships later, over time.

They also viewed and worked with their social capital in a different way. They did not follow the pattern that we saw in the performance-oriented international entrepreneurs of compartmentalizing their discussions of specific topics with specific people, to focus their discussions with people onto the areas where they thought they could extract value from them. Rather, these person-oriented international entrepreneurs preferred to share all their thoughts, on all topics, with all their relationships.

These issues come up at our board meetings, these are once or twice a month, we are thinking this through but in my discussions we are mainly dealing with immediate or medium term stuff. The issues of whether we go into a new market, and how big we want to be I deal with my co-director, separately. I also discuss these things with my dad. ... Some things I talk about with my wife. ... Our non-executive director is useful, he has been through it all before. (IE UK45)

It is also evident that while they do not cite their use of any structural social capital as helping their internationalization, they do not eschew it. Indeed, they meet a lot of people and discuss with them all aspects of their business in a very open way; not compartmentalised topics for specific people. But they want to make structural social capital into cognitive social capital before they will regard them as of value for their business growth, and a process of relationship cognition involving openness at the outset, and discussing all topics around the firm, in ways that would foster the mutual establishment of trust. As a result, their using mainly relational or cognitive social capital did not prejudice the amount of social capital they used. It did, however, adversely affect international embeddedness of their social capital; relatively little of it was internationally embedded or internationally linked.

## **DISCUSSION**

The performance-orientation of an international entrepreneur appears to influence the dimensions of social capital that they are willing to work with. Performance-oriented international entrepreneurs were comfortable working with structural social capital relationships so long as they are useful, and would selectively work with different parties for different purposes. The more people-oriented international entrepreneurs worked mainly with relational social capital, people they knew well and trusted, and they were unwilling to 'use people'. As a result they did not regard structural social capital as a useful resource when

considering their growth plans. As a result, they had relatively little internationally linked social capital, and very little internationally embedded social capital. This leads to our first proposition:

*Proposition 1:* Performance-orientation leads international entrepreneurs to work more with structural social capital that may be most useful for international opportunity seeking

Since developing committed relational and cognitive social capital is difficult, the outcome was that the performance-oriented international entrepreneurs had not only more structural social capital, but they had considerably more social capital that was internationally linked and internationally embedded, in the way illustrated figuratively in Figure 4. Our second proposition is therefore:

*Proposition 2:* Performance-orientation leads international entrepreneurs to develop more social capital that is usefully embedded to aid internationalization.

**Figure 4 here.**

International network research would indicate that the behaviour of the performance-oriented international entrepreneurs in working with structural social capital, and working with it to develop it into becoming cognitive social capital may well act to help their internationalization, but the more person-oriented international entrepreneurs were successful internationally as well.

There seemed to be two things that enhanced the effectiveness of the smaller international networks of the person-oriented international entrepreneurs. First, these international entrepreneurs seemed to invest more time, and more of their staff's time in their existing relationships and as a result, that social capital seemed to be longer-standing, more durable, and led to new international opportunities. Second, they worked more actively with domestically embedded and domestically located relational and cognitive social capital. Being located nearby, it was easier to meet and spend time with them than with the fully embedded social capital located overseas that the performance oriented international entrepreneurs targeted.

*Proposition 3:* International entrepreneurs with lower performance-orientation develop relational social capital domestically that can be useful for internationalization.

## CONCLUSIONS

This paper has contributed to the growing interest in the network relationships used by international entrepreneurs, which is beginning to analyse difference in those network relationships and how they develop as part of a process of gaining a more sensitive understanding of their role. It does so by presenting a framework for examining the key attributes of these relationships for international entrepreneurs. These are the relationship strength, which largely reflects the development of trust between the parties that develops over time, and relationship embeddedness in foreign markets, which is the attribute that enables the relationship to be of value in the internationalization process. The paper contributes a critical observation concerning future research into international entrepreneur internationalization. Since relationships with people who are well embedded in foreign territories are highly important resources for international entrepreneurs in the internationalization process, research that is examining their internationalization processes should be concerned with the international entrepreneur's personal characteristics, orientations and beliefs.

The study inevitably faces a number of limitations that future studies may seek to correct. First, this is a qualitative study with just seven cases, which while sufficient for the research questions addressed here, is insufficient to test hypotheses concerning the effect of performance-orientation on business relationships. These firms represented a purposive and not a statistical sample because gaining access to the phenomenon under study required extended access to the international entrepreneurs, which meant that the respondents had to have personal trust in the principle researcher. Second, full longitudinal analysis would enable better understanding of the complex and dynamic process of relationship formation, and, for example, observation of possible associations between different capabilities and practices and internationalization outcomes. Nevertheless, the follow-up telephone interviews two and four years after the initial interviews enabled the data to be checked over time for stability.

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**Figure 1: Dimensions and international embeddedness of international entrepreneur's social capital**

		DOMESTIC and INTERNATIONAL EMBEDDEDNESS of SOCIAL CAPITAL		
		Domestically Embedded	Internationally linked	Internationally Embedded
DIMENSION of SOCIAL CAPITAL	Relational			
	Cognitive			
	Structural			

**Figure 2: The Research Design**

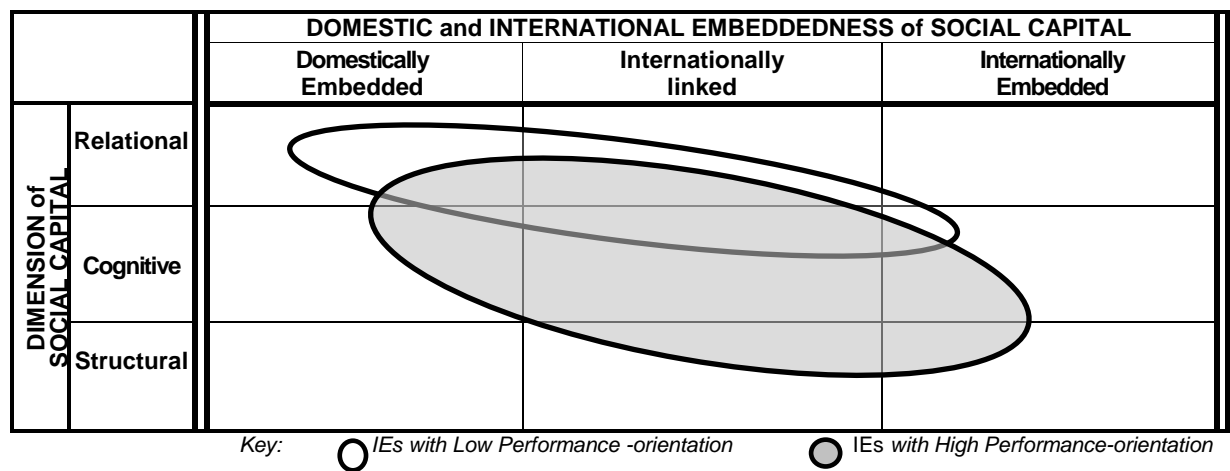
Stage I: Case selection	IE identification from secondary sources.
Stage II: Secondary data collection and verification	Checking of fit to sample through secondary sources. Soliciting of support for the study.
Stage III: Interviews	Each entrepreneur interviewed 100-180 minute interviews.

Stage: IV: Primary Data coding	Coding of all data against coding categories from the theoretical frameworks.
Stage V: Telephone interviews	Two and four years after the initial interviews to check on values and relationships stability.
Stage VI: Data reviewing and analysis	Recoding of data against additional coding categories. Analysis of adequacy of explanation.

**Figure 3: Coding grid for classifying performance-oriented international entrepreneurs**

		BUSINESS PERFORMANCE FOCUS		
		None	Some	Strong
PERSON ORIENTATION	None	A	B	C
	Some	D	E	F
	Strong	G	H	I

**Figure 4: Patterns of internationalization and social capital**



**Table 1: The case international entrepreneurs - descriptive data.**

IE No	Turnovr £m	Employees	Age (yrs)	export %
36	1 - 5	20	17	70
41	1 - 5	6	9	60
45	1 - 5	26	28	70
50	1 - 5	47	31	80
52	10 - 50	95	12	90
53	5 - 10	100	27	55
54	1 - 5	40	13	25

**Table 2: The case firms' social capital**

<b>IE No</b>	<b>Perform- ance orientation</b>	<b>Social Capital Dimension (N<sup>o</sup>s of relationships)</b>			<b>International embeddedness (N<sup>o</sup>s of relationships)</b>			<b>Tot al</b>
		Relational	Cognitive	Structural	Domestic	Internat. linked	Internat. embedded	
36	Low	3	6	1	4	3	3	10
41	High	2	3	2	1	3	3	7
45	Low	0	4	0	3	0	1	4
50	High	2	3	2	4	2	1	7
52	High	2	2	2	3	2	1	6
53	High	5	3	1	2	3	4	9
54	High	0	3	2	2	2	1	5
<b>TOTAL</b>		<b>14</b>	<b>24</b>	<b>10</b>	<b>19</b>	<b>15</b>	<b>14</b>	<b>48</b>